

Export Control at NEC Corporation

**November 26, 2014
Export Control Division
NEC Corporation**

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1. Profile of NEC Group

Profile

Company Name: NEC Corporation

Address: 7-1, Shiba 5-chome, Minato-ku, Tokyo, Japan

Established: July 17, 1899

Chairman of the Board: Kaoru Yano

President: Nobuhiro Endo

Capital: ¥ 397.2 billion - As of Mar. 31, 2014 -

Consolidated Net Sales: ¥ 3,071.6 billion

- Fiscal year ended Mar. 31, 2013 -

¥ 3,043.1 billion

- Fiscal year ended Mar. 31, 2014 -

**Operations of NEC Group: Public, Enterprise, Telecom Carrier,
Smart Energy, System Platform, Others**

Employees: NEC Corporation

24,237 - As of Mar. 31, 2014 -

NEC Corporation and Consolidated Subsidiaries

100,914 - As of Mar. 31, 2014 -

Consolidated Subsidiaries: 258 - As of Mar. 31, 2014 -



Kaoru Yano



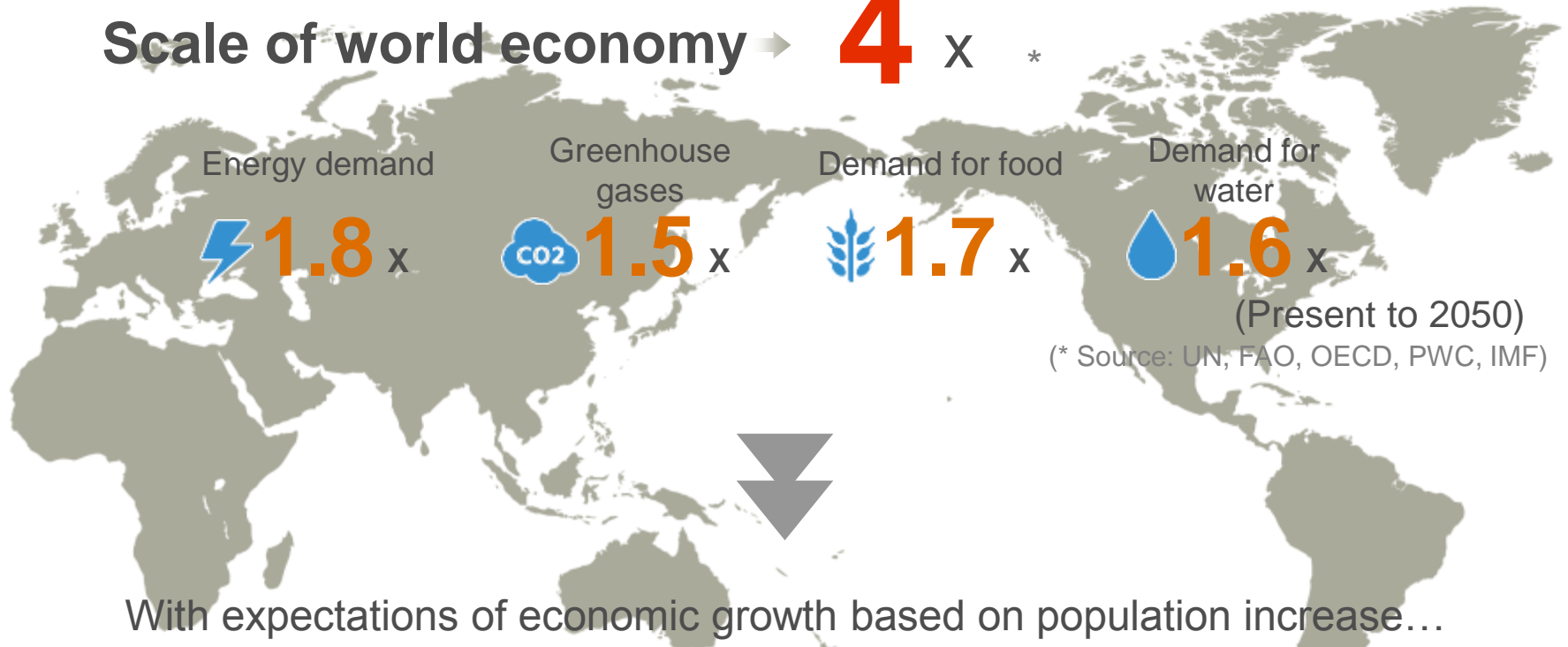
Nobuhiro Endo

Financial results are based on accounting principles generally accepted in Japan.

The Future World Economy

World population: 7 billion → **9** billion (1.3 X) Ratio of urban dwellers: 50% → **70** %

Scale of world economy → **4** X *



With expectations of economic growth based on population increase...

Innovative social infrastructure will be required to make it possible to lead safe and secure lives and make efficient use of resources.

NEC's Concept "Innovative Social Infrastructure"



For all people,
an Abundant Society



Solutions for Society

Public

(Disaster prevention, security,
electronic administration,
finance)

Telecom Carrier
(Information networks)

Enterprise

(Logistics, distribution,
transport)

Smart Energy

Innovation of social infrastructure via ICT

Safety

Security

Efficiency

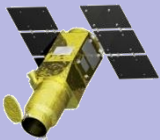
Equality

Business Domains and Their Chief Products and Services

For Public



Public Safety



Satellite
「NEXTAR」



Digital Terrestrial
TV Transmitters

For Enterprises



Industry Solutions



Office Solutions

For Telecom carriers



Long Term Evolution
Network Systems



Submarine Cable
Systems



Compact Microwave
Communications
Systems

For Smart energies



Energy Management System



Electric Vehicle (EV)
Charging Infrastructure



Energy Storage
System

Solutions

Cloud Infrastructure

NEC Cloud IaaS

SDN Solution

NEC SDN Solutions

Big Data

NEC Big Data Solutions

Products



Server



Unified Communications
and Collaboration Solution



PC/Tablet

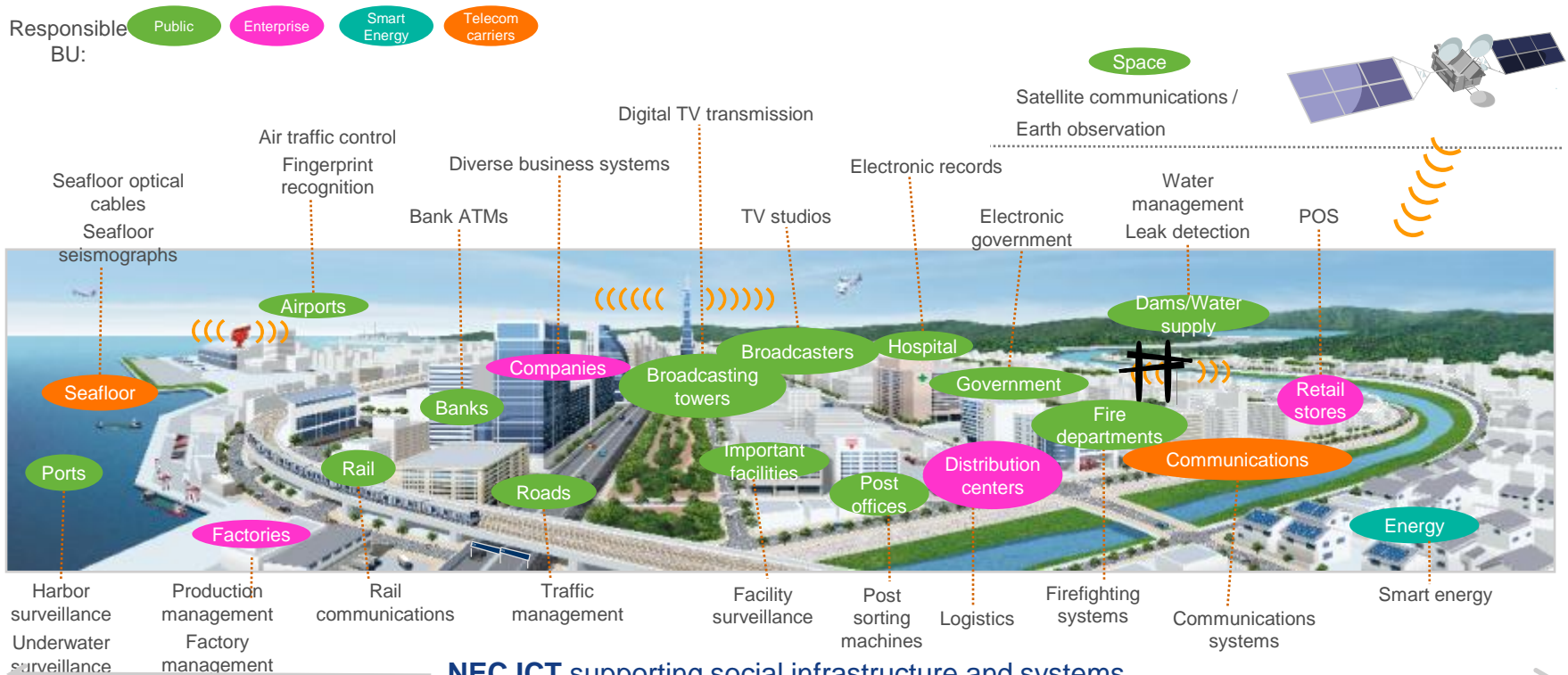


Display

Innovation of Social Infrastructure via ICT

Leveraging our proven results and strong position for global expansion

- From the seafloor to outer space, concentrating management resources in areas in which social infrastructure will be innovated by ICT



Next-generation network technologies

High-performance, high-reliability core IT technologies

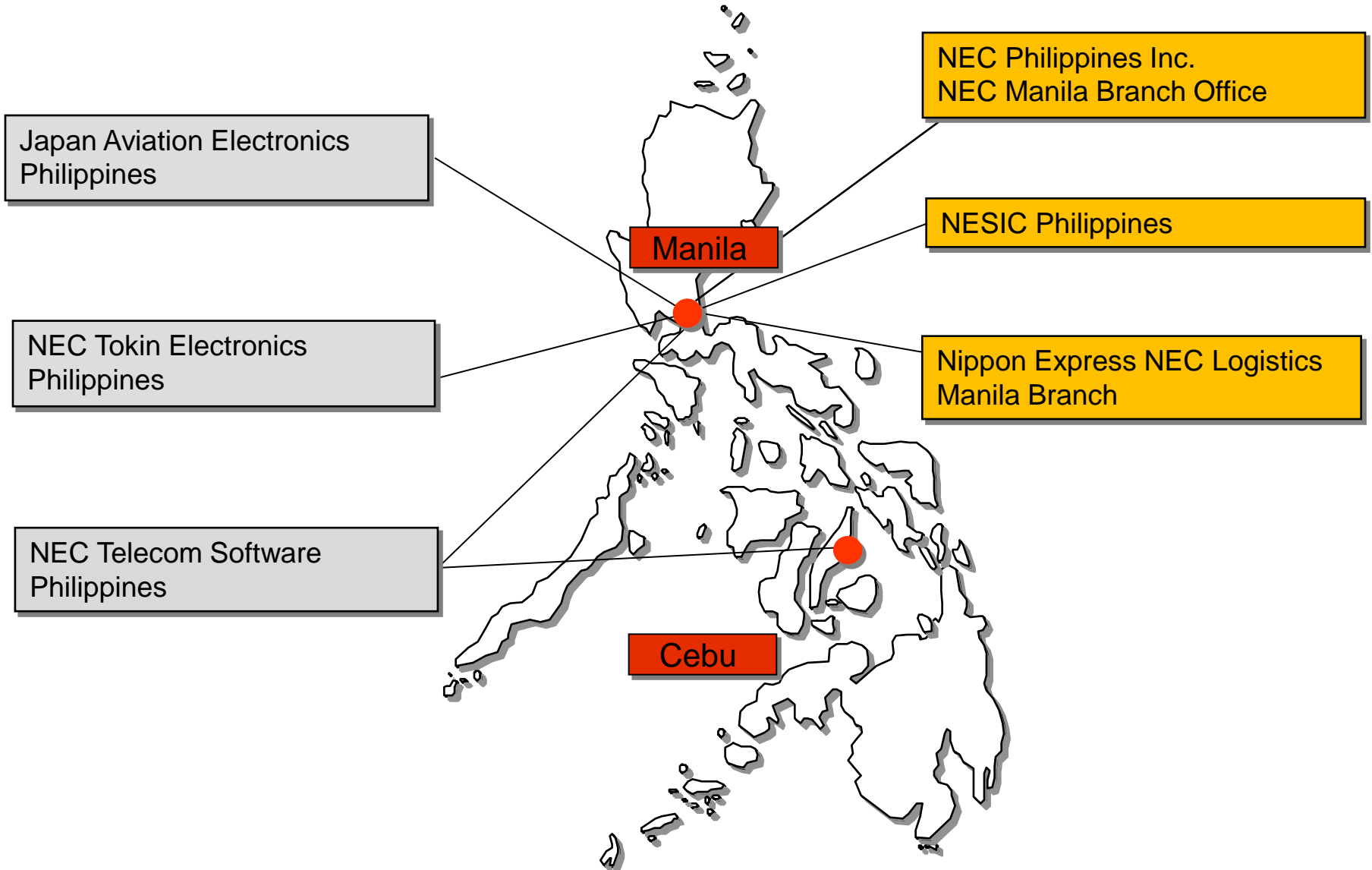
Diverse sensor and human interface technologies

History of NEC in the Philippines

Below are the history and achievements of NEC in the Philippines since 1960's

- 1960** First order in the Philippines for Telco infrastructure (ODA project)
- 1967** Established Manila Office
- 1970** Obtained Submarine Cable PJ(Philippines to Japan) and satellite communications system.
- 1989** Established first production base in Cebu, NEC Technologies Philippines
- 1990's** Obtained Infrastructure PJs from PLDT, Digitel etc.
- 1996** Established NEC Philippines Inc
- 2005** Organized NECare Support Center in NEC Philippines Inc
- 2006** Obtained Passport System from DFA (Department of Foreign Affairs (Philippines))
- 2009** Obtained Automated Fingerprint Identification System from COMLEC (COMMISSION ON ELECTIONS)
- 2012** Obtained Cloud System from PLDT

NEC group companies in Philippines



2. NEC Group's Export Control Policy

Rules for Export Control

NEC Group Code of Conduct

- To comply with domestic and foreign laws and regulations, as well as ICP

NEC Group Management Policy

- To establish global management infrastructure by sharing common rules and systems across NEC Group Companies

NEC ICP (ICP:Internal Compliance Program)

- To establish and maintain internal control organization and procedures

Each NEC Group Company
has its own ICP

- Each Company to take responsibility for establishing and maintaining internal control organization and procedures

'Export Control' Policy

Each NEC Group Company has to take responsibility for establishing and maintaining internal control system to observe relevant export control laws and regulations

- **Observe relevant laws and regulations of Country where Company is located**
- **Establish internal control system to conduct proper export control**
- **Observe relevant laws and regulations of foreign governments**

3. Export Control at NEC Corporation

NEC's Internal Compliance Program (ICP)

Organization

Part 1. General Terms

-Purpose, Scope, etc.

Part 2. Basic Policy

Part 3. Organization

-Persons Responsible, Export Control Organization, etc.

Procedures

Part 4. Screening Procedures

-Classifications of Items, Transaction Screening, etc.

Operation and Maintenance

Part 5. Shipment Control

-Shipping Control of Goods, Technology Transfer Control

Part 6. Audit

Part 7. Training and Education

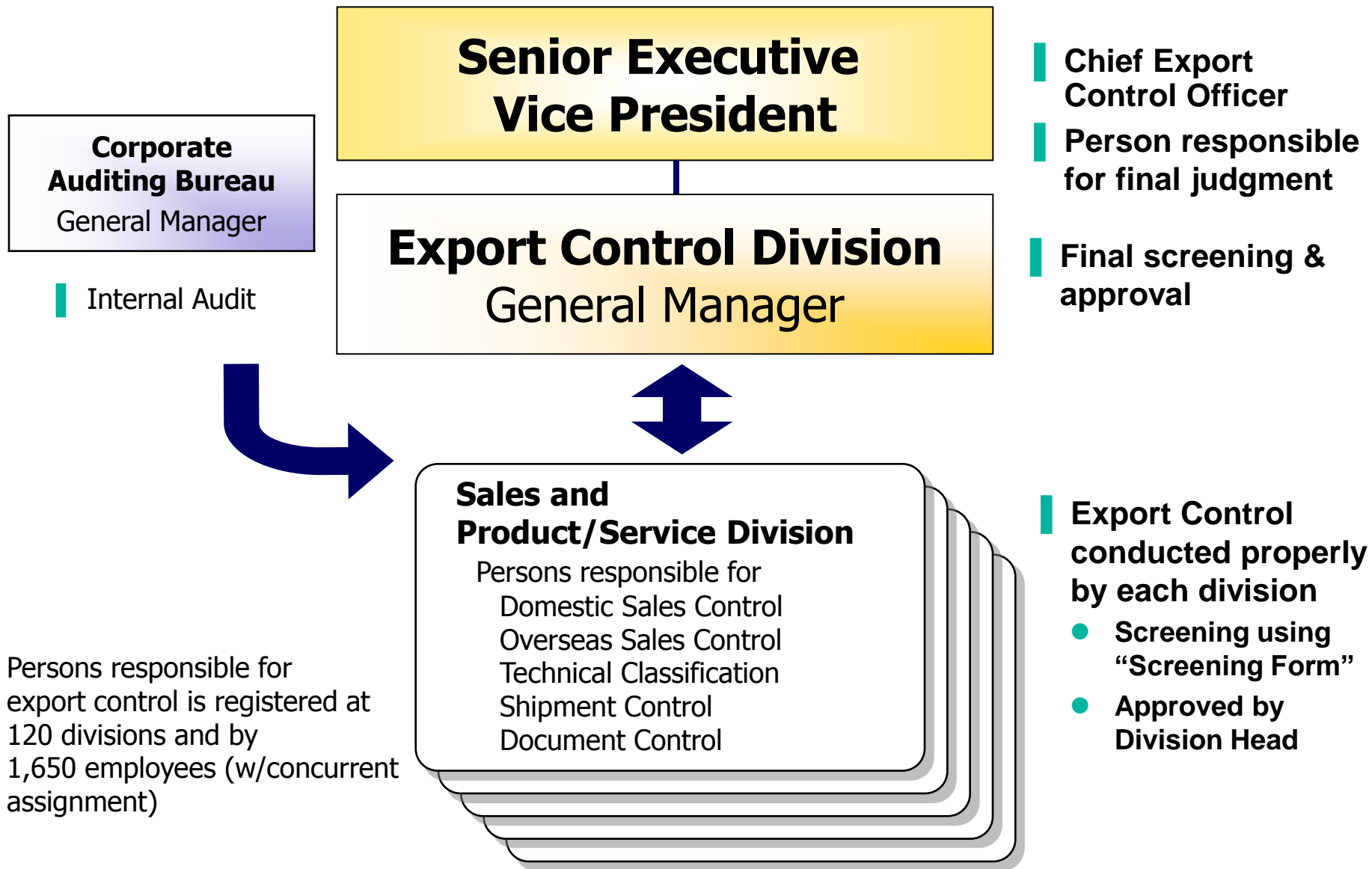
Part 8. Document Control

Part 9. Guidance to subsidiaries and affiliates

Part 10. Reports

Part 11. Penalties

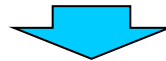
NEC Export Control Structure



Internal Screening Procedure for Export Control

All export cases must be screened by the Screening Form, in principle

Inquiry

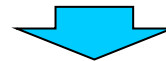


**Sales
Division**

**Confirm whether the export case is
subject to Pre-consultation**

**Screening of End-Use, End-User and
Final Destination**

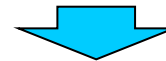
**Know Your
Customer**



**Product/
Service Division**

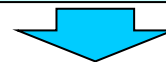
Technical Classification

Check U.S. re-export regulations



**Export Control
Division**

Final Screening

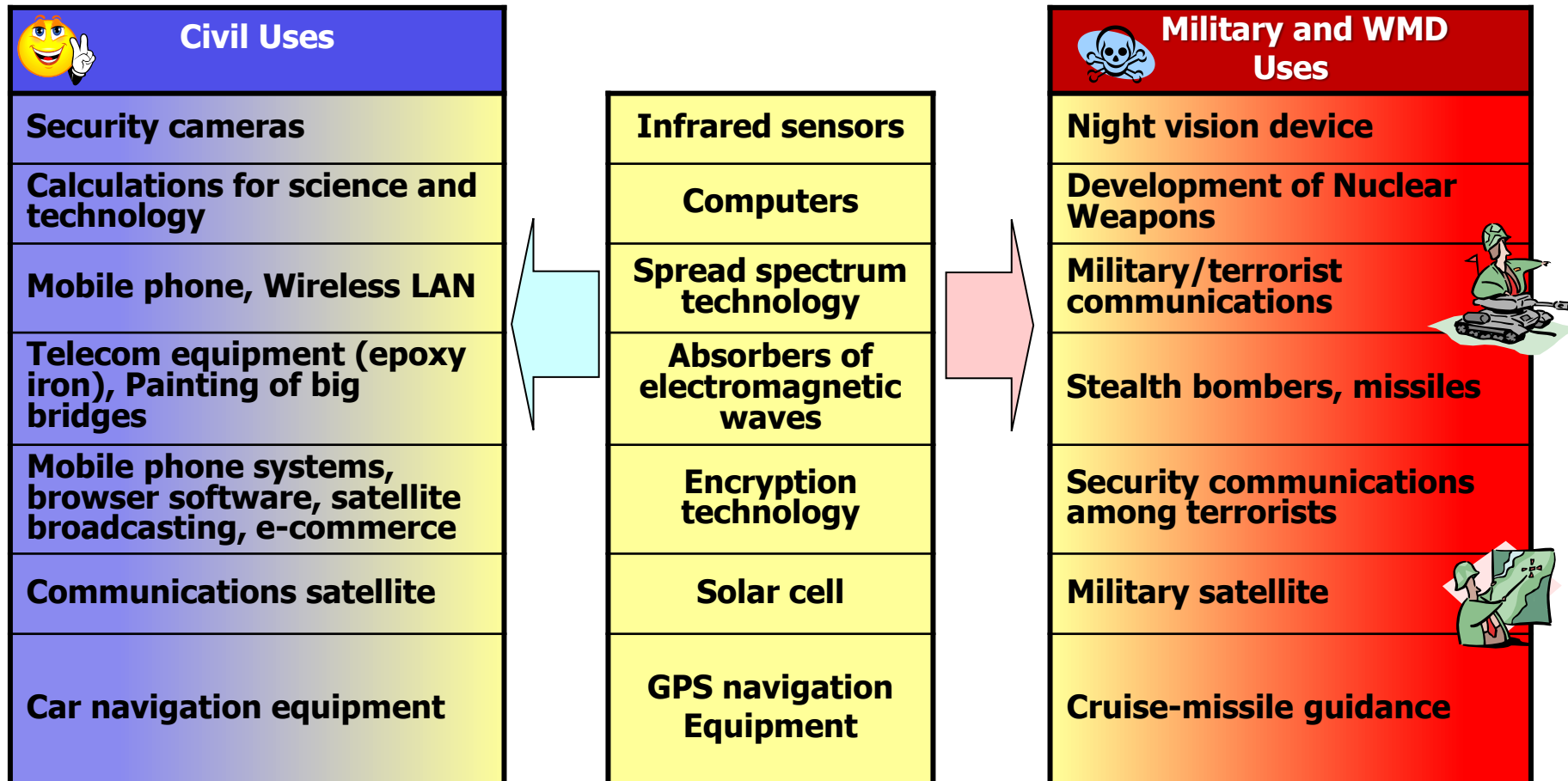


**Contract can only be signed
after approval**

Why 'Know your customer' is important?

Dual Use Items?

- NEC Goods and Technology could be used for Military and WMD purposes as well



Shipment Control

Final check by Product/Service Division

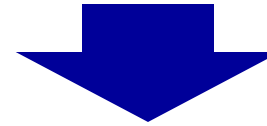
- **Check items to be shipped are identical to the screening form approved and to the descriptions in the shipping documents.**
- **Check required Export License is properly obtained for the items to be shipped**

Hardware items (including items technical information is combined.)



Customs clearance and shipping (using an NEC Group company handling logistics)

Technical information only



Record keeping of the transfer using spreadsheet.

Audit

Audit for Export Control is conducted periodically according to the laws and regulations and to ensure that the ICP is appropriately put into practice.

- **Field Audit to all the divisions handling controlled items (once a year)**
- **Paper Audit to all other divisions handling export cases (once a year) where responsible person for export control are registered**
- **Paper Audit to all the divisions not handling any export cases (once in every three years)**

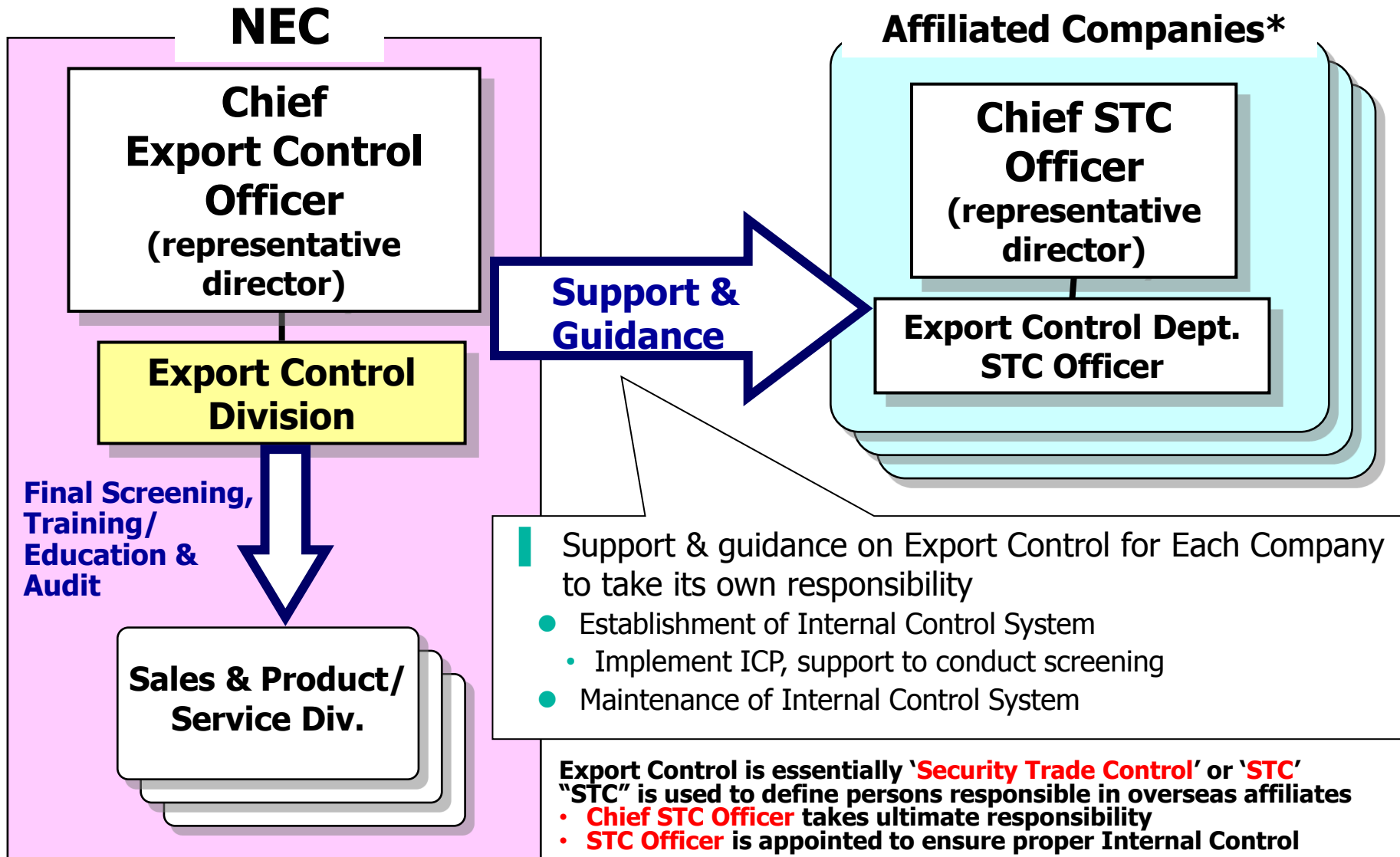
Training and Education

- **Training on export control for all NEC employees**
 - **To be aware of export control and Internal Compliance Program(ICP) (Web based training)**
- **Trainings for Persons responsible for export control**
 - **Learn about relevant export control regulations and internal procedures (Web based training)**
 - **Technical Classification exercise (Classroom training)**
 - **U.S. re-export regulations (Classroom training)**
- **Training for Overseas affiliates and expatriate staff**
 - **Guidance to expatriate staff before transfer**
 - **Regional Export Control Seminar for Overseas affiliates**

4. Export Control over overseas affiliates

Guidance to Affiliated companies

*About 100 domestic and overseas affiliated companies conducting export



ICP at Overseas Affiliates

Overseas Affiliates are required to set out ICP customizing "Model ICP" to fit with the actual situation of export business each company may have

Contents:

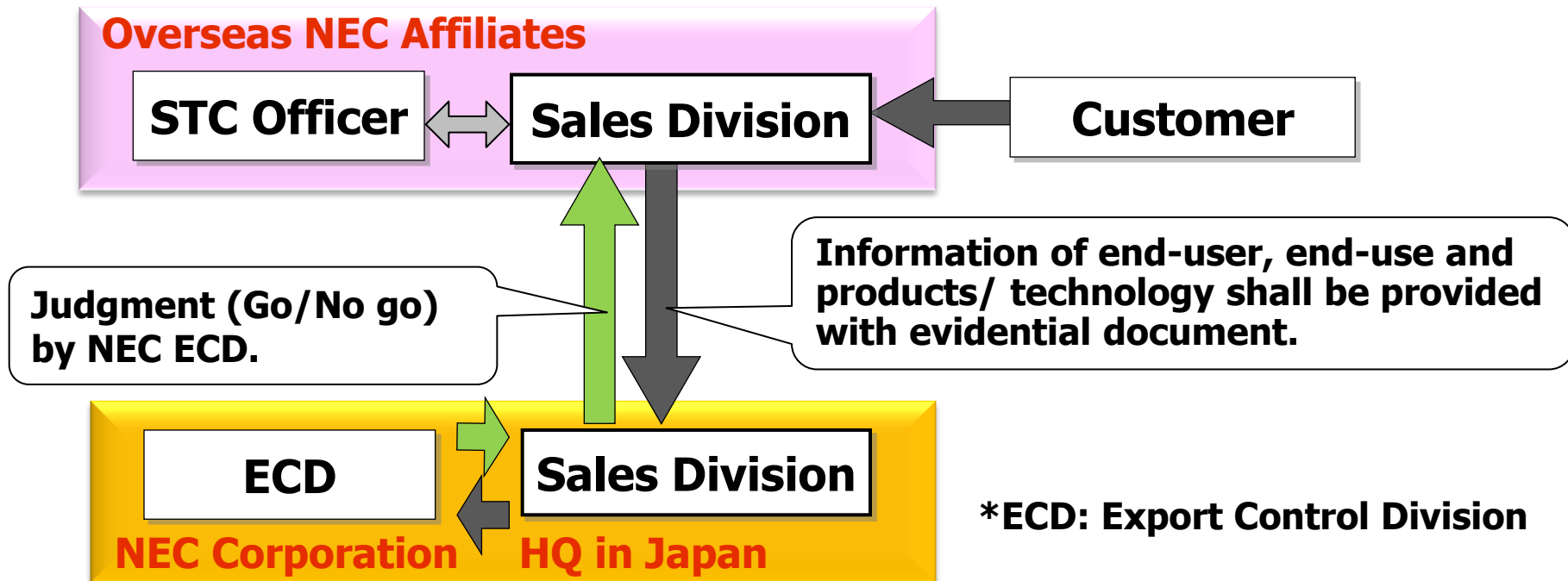
- 1. The Basic Policy**
- 2. Control Organization**
 - I. Chief STC Officer
 - II. STC Officer
 - III. Heads of Business Units
- 3. Procedures**
 - I. Pre-order Acceptance Control
 - i. Screening of End-uses and End-users
 - ii. Technical Classification
 - iii. Escalation
 - II. Obtaining License
- 4. Shipment Control**
- 5. Training and Education**
- 6. Audit**
- 7. Document Control**
- 8. Guidance to subsidiaries and affiliates**
- 9. Reports**
- 10. Penalties**

**Know Your
Customer**

**Know Your
Product/Technology**

Pre-consultation Rule

Sales Division of overseas NEC Affiliates who received an "Inquiry of Concern" shall submit the end-user and end-use information with evidential documents to Sales Division of NEC Corporation (HQ in Japan), which in turn seeks ECD* judgment.



Regional Seminar

Regional Seminar is conducted for the purpose of enlightenment of Export Control and to enhance the level of conducting proper internal control for persons related to export (STC Officer, etc.).

- **Conducted at 5 regions periodically (Basically once a year at each region)**
- **Recently focused on APAC (Asia & Pacific) region**
 - **Business is focused on Asia for Mid-term Management Policy**
 - **Important region to enhance the level of Export Control**



Year

| | |
|------|---|
| 2012 | Singapore, Malaysia, Australia |
| 2013 | Singapore, Malaysia, India |
| 2013 | Philippines, Vietnam, Thailand, Indonesia |
| 2014 | Singapore, Malaysia |
| 2014 | Philippines, Vietnam, Australia |

5. Conclusion

Why Export Control is needed for NEC?

Providing infrastructures for an abundant society for all people via ICT

Social Value Innovations

Orchestrating a brighter world



NEC

Better Products

×

Better Services

×

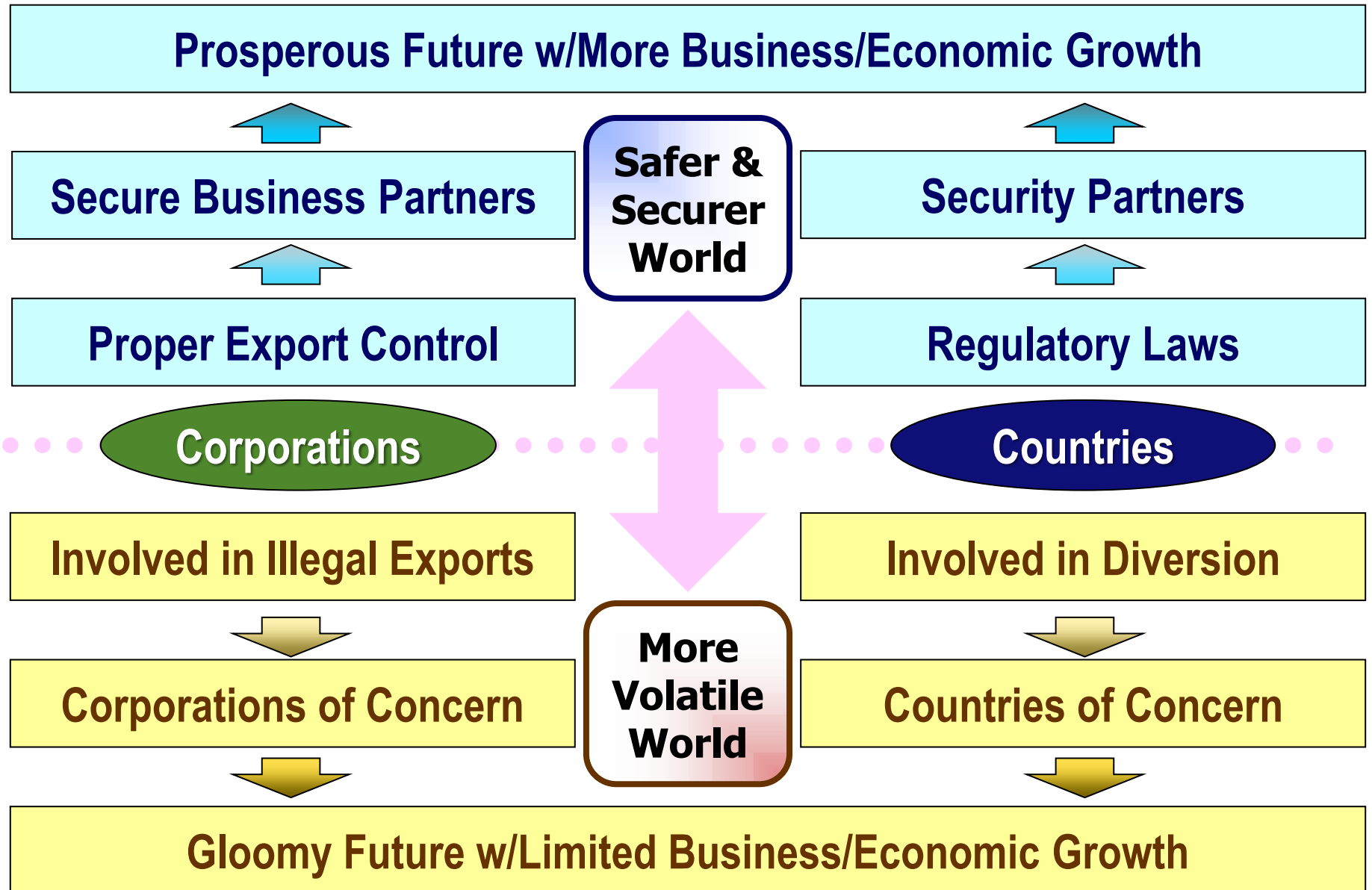
Export Control

**Implementing Export Control properly
to give Customers/Partners a Sense of Security / Peace of Mind,
which is essential to build up a long-term Business Partnerships**



Operating Export Control will enhance the Company Value

Conclusion



Orchestrating a brighter world

NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.

Empowered by Innovation

NEC